EXHIBIT # 1

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87501

Side 1

APPLICATION FOR CLASSIFICATION AS HARDSHIP GAS WELL

Operator CONOCO INC. Contact Party HUGH INGRAM

Address P.O. BOX 460, HOBBS, N.M, 88240 Phone No. (505) 393-4141

Lease FEDERAL 34 Well No. 2 UT H Sec. 34 TWP 20-S RGE 26-E

Pool Name SPRINGS UPPER PENN (GAS) Minimum Rate Requested 350 MCFPD

Transporter Name GAS COMPANY OF NEW MEXICO Purchaser (if different) _____

Are you seeking emergency "hardship" classification for this well? _____ yes X no

Applicant must provide the following information to support his contention that the subject well qualifies as a hardship gas well.

1) Provide a statement of the problem that leads the applicant to believe that "underground waste" will occur if the subject well is shut-in or is curtailed below its ability to produce. (The definition of underground waste is shown on the reverse side of this form)

2) Document that you as applicant have done all you reasonably and economically can do to eliminate or prevent the problem(s) leading to this application.

   a) Well history. Explain fully all attempts made to rectify the problem. If no attempts have been made, explain reasons for failure to do so.

   b) Mechanical condition of the well(provide wellbore sketch). Explain fully mechanical attempts to rectify the problem, including but not limited to:

      i) the use of "smallbore" tubing; ii) other de-watering devices, such as plunger lift, rod pumping units, etc.

3) Present historical data which demonstrates conditions that can lead to waste. Such data should include:

   a) Permanent loss of productivity after shut-in periods (i.e., formation damage).

   b) Frequency of swabbing required after the well is shut-in or curtailed.

   c) Length of time swabbing is required to return well to production after being shut-in.

   d) Actual cost figures showing inability to continue operations without special relief

4) If failure to obtain a hardship gas well classification would result in premature abandonment, calculate the quantity of gas reserves which would be lost

5) Show the minimum sustainable producing rate of the subject well. This rate can be determined by:

   a) Minimum flow or "log off" test; and/or

   b) Documentation of well production history (producing rates and pressures, as well as gas/water ratio, both before and after shut-in periods due to the well dying, and other appropriate production data).

6) Attach a plat and/or map showing the proration unit dedicated to the well and the ownership of all offsetting acreage.

7) Submit any other appropriate data which will support the need for a hardship classification.

8) If the well is in a prorated pool, please show its current under- or over-produced status.

9) Attach a signed statement certifying that all information submitted with this application is true and correct to the best of your knowledge; that one copy of the application has been submitted to the appropriate Division district office (give the name) and that notice of the application has been given to the transporter/purchaser and all offset operators.

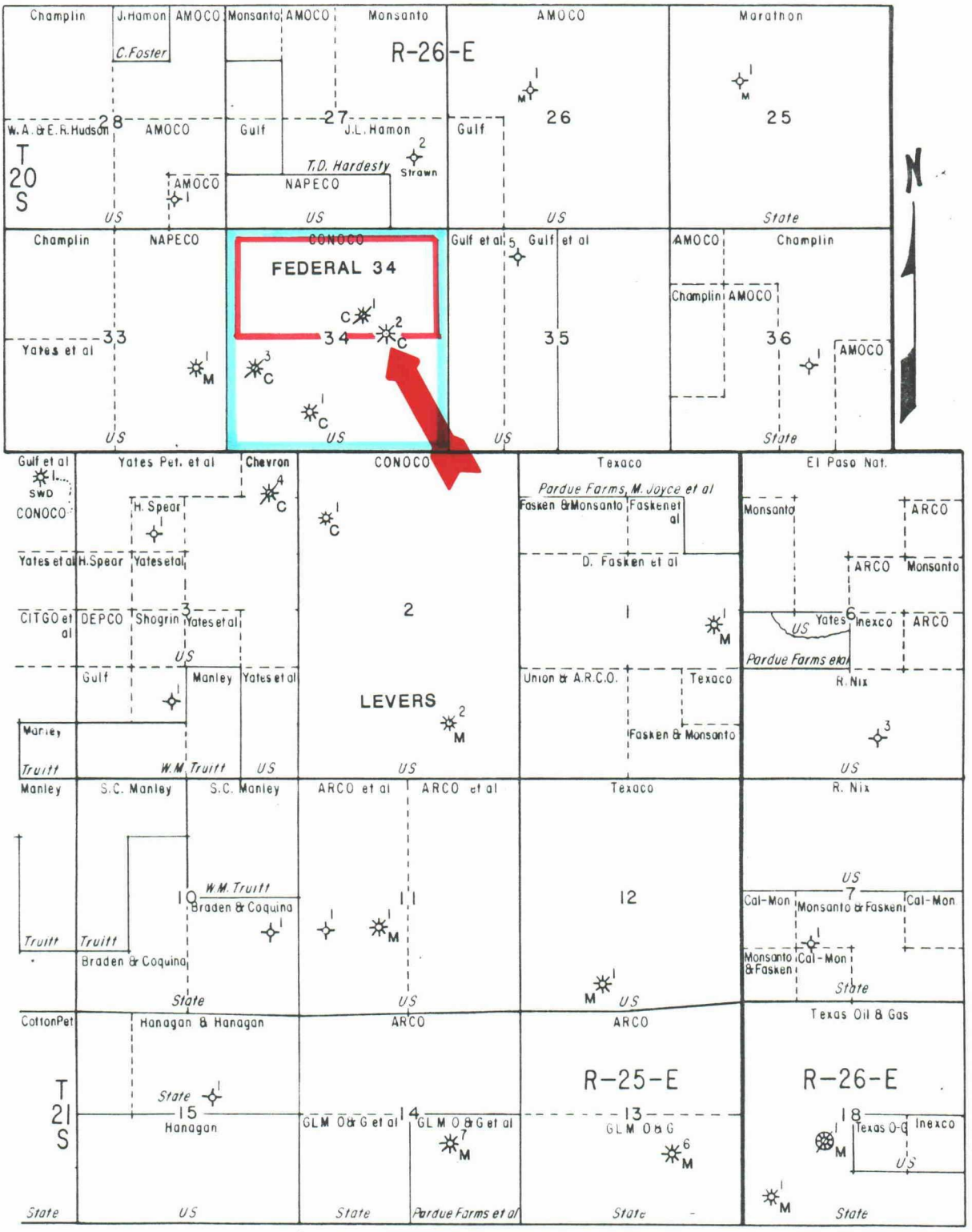
BEFORE EXAMINER
OIL CONSERVATION DIVISION

EXHIBIT NO. 1

CASE NO. 9081

Submitted by CONOCO INC.

Hearing Date FEBRUARY 18, 1987



Federal 34 Lease

Proration Unit – Federal 34 No. 2

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

EXHIBIT NO. 2

CASE NO. 9081

Submitted by CONOCO INC.

Hearing Date FEBRUARY 18, 1987

PRODUCTION DEPARTMENT — conoco — HOBBS DIVISION

FEDERAL "34" LEASE

Section 34-T20S-R26E

EDDY COUNTY, NEW MEXICO

SCALE 0' 1000' 2000'

EXHIBIT 2

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
Barbara Ekenen
603 W. Wall, Ste.
Midland, TX 79701

4. Type of Service: | Article Number
☐ Registered ☐ Insured
☑ Certified ☐ COD
☐ Express Mail
P-241-440-545

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X [signature]

7. Date of Delivery
2-6-87

8. Addressee's Address (ONLY if requested and fee paid)

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
Getty Corp. (New Mexico)
2444 Louisiana Blvd. N.E.
Albuquerque, N.M. 87125

4. Type of Service: | Article Number
☐ Registered ☐ Insured
☑ Certified ☐ COD
☐ Express Mail
P-241-440-542

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X [signature]

7. Date of Delivery
FEB 9 1987

8. Addressee's Address (ONLY if requested and fee paid)

ALBUQUERQUE, NM USPO

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

(CHASE)

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
Cities Service Oil & Gas Corp
Box 1919
Midland, TX. 79705

4. Type of Service: | Article Number
☐ Registered ☐ Insured
☑ Certified ☐ COD
☐ Express Mail
P-241-440-544

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X [signature]

7. Date of Delivery
2-6-87

8. Addressee's Address (ONLY if requested and fee paid)

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

(CHASE)

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
Chevron USA Inc.
P.O. Box 670
Hobbs, N.M. 88240

4. Type of Service: | Article Number
☐ Registered ☐ Insured
☑ Certified ☐ COD
☐ Express Mail
P-241-440-541

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X [signature]

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

DOMESTIC RETURN RECEIPT

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
PAGE 1 EXHIBIT NO. 3
CASE NO. 9081
Submitted by CONOCO INC.
Hearing Date FEBRUARY 18, 1987

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
TENNECO, INC.
BOX 728
Hobbs, N.M. 88240

4. Type of Service: ☐ Registered ☐ Insured ☑ Certified ☐ COD ☐ Express Mail
Article Number: P-241-440-546

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X Bobbie Harryman

7. Date of Delivery
2-13-87

8. Addressee's Address *(ONLY if requested and fee paid)*

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
MARTIN
P.O. BOX 263
Houston, TX. 77001

4. Type of Service: ☐ Registered ☐ Insured ☑ Certified ☐ COD ☐ Express Mail
Article Number: P-241-440-543

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X

7. Date of Delivery
FEB 9 1987

8. Addressee's Address *(ONLY if requested and fee paid)*

DOMESTIC RETURN RECEIPT

PS Form 3811, July 1983 447-845

SENDER: Complete items 1, 2, 3 and 4. (MAI)

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. ☐ Show to whom, date and address of delivery.
2. ☐ Restricted Delivery.

3. Article Addressed to:
Yates Petroleum Corp.
105 S. Fourth St.
Artesia, N.M. 88210

4. Type of Service: ☐ Registered ☐ Insured ☑ Certified ☐ COD ☐ Express Mail
Article Number: P-241-440-540

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature – Addressee
X

6. Signature – Agent
X

7. Date of Delivery
2-6-87

8. Addressee's Address *(ONLY if requested and fee paid)*

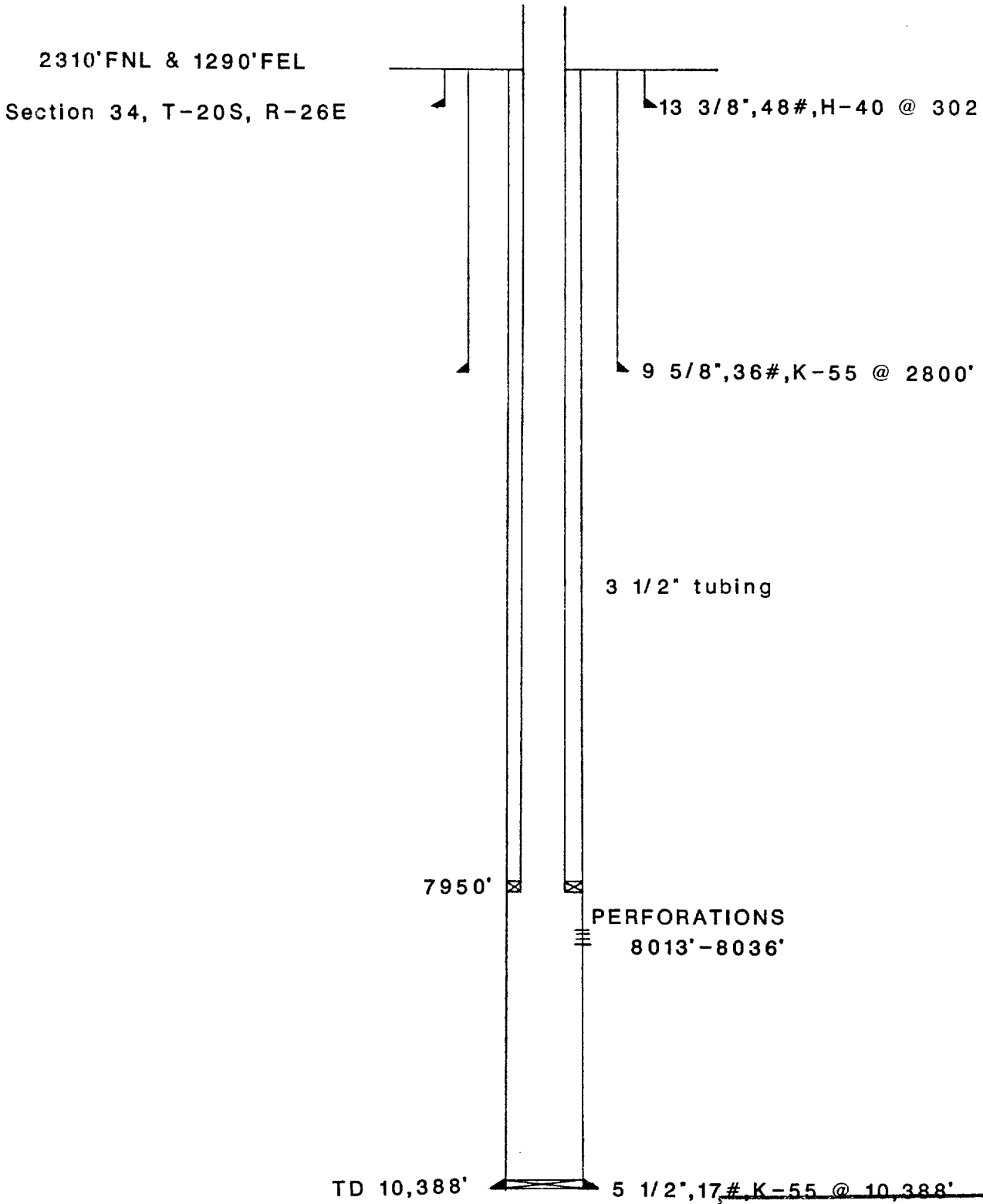
DOMESTIC RETURN RECEIPT

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
PAGE 2 EXHIBIT NO. 3
CASE NO. 9081
Submitted by CONOCO INC.
Hearing Date FEBRUARY 18, 1987

EXHIBIT 4

FEDERAL 34 NO. 2

WELLBORE SCHEMATIC



BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 4
CASE NO. 9081
Submitted by Conoco Inc
Hearing Date 2-18-87

EXHIBIT 5

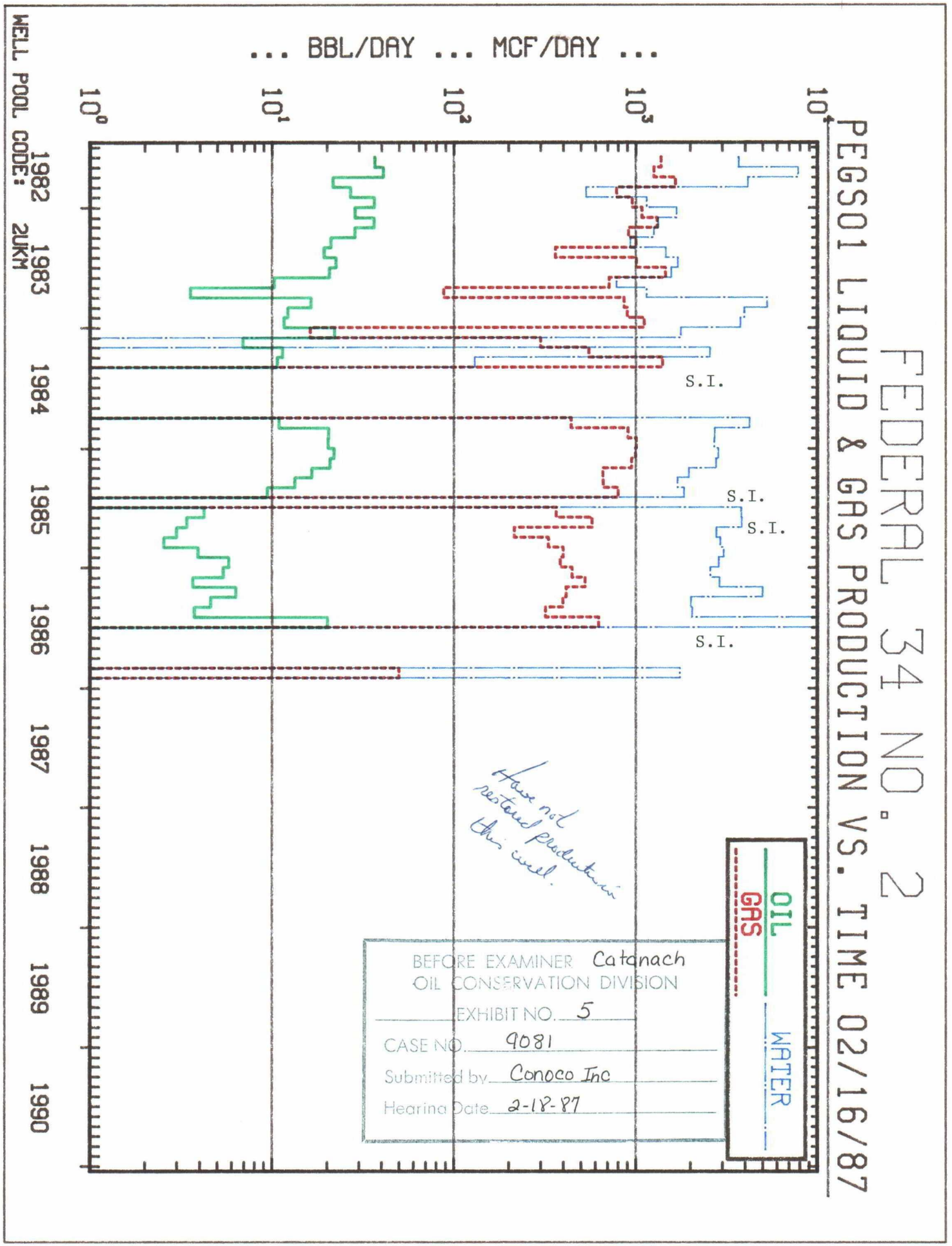

FEDERAL 34 NO. 2
PEGSOI LIQUID & GAS PRODUCTION VS. TIME 02/16/87
... BBL/DAY ... MCF/DAY ...
10^0
10^1
10^2
10^3
10^4
WELL POOL CODE: 2UKM
1982
1983
1984
1985
1986
1987
1988
1989
1990
S.I.
S.I.
S.I.
S.I.
Have not restored production this well.
OIL
GAS
WATER
BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 5
CASE NO. 9081
Submitted by Conoco Inc
Hearing Date 2-18-87

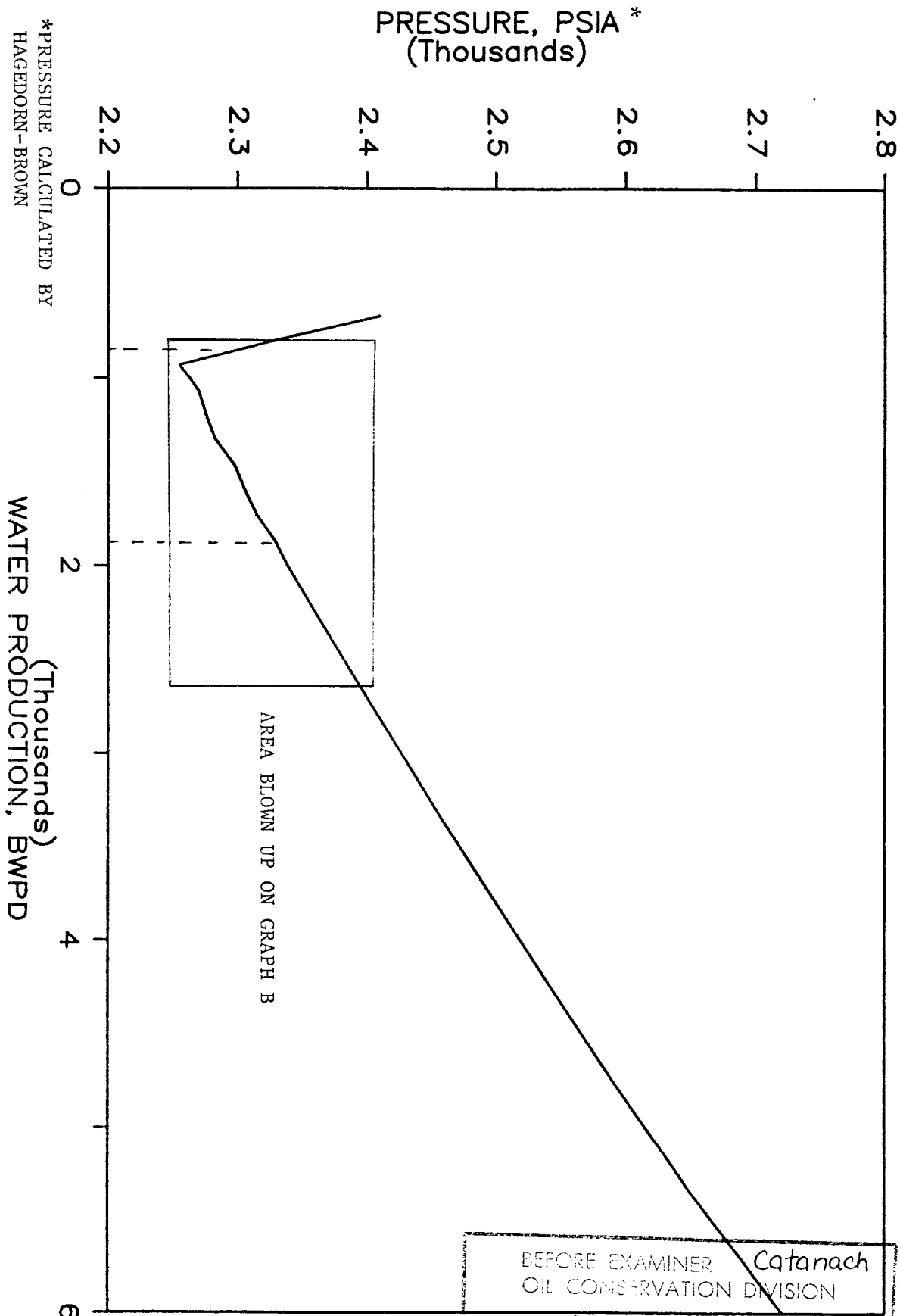
EXHIBIT 6

FEDERAL 34 NO. 2
Daily Production Reports

DATE		MCFPD	BWPD	BOPD	
11/17/86	1 day after shut-in period	305	1500	3	
11/20/86		277	1501	0	
11/22/86		272	1327	0	
11/24/86		272	1308	0	
11/25/86		148	500	0	loaded up

BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 6
CASE NO. 9081
Submitted by Conoco Inc
Hearing Date 2-18-87

EXHIBIT 7A

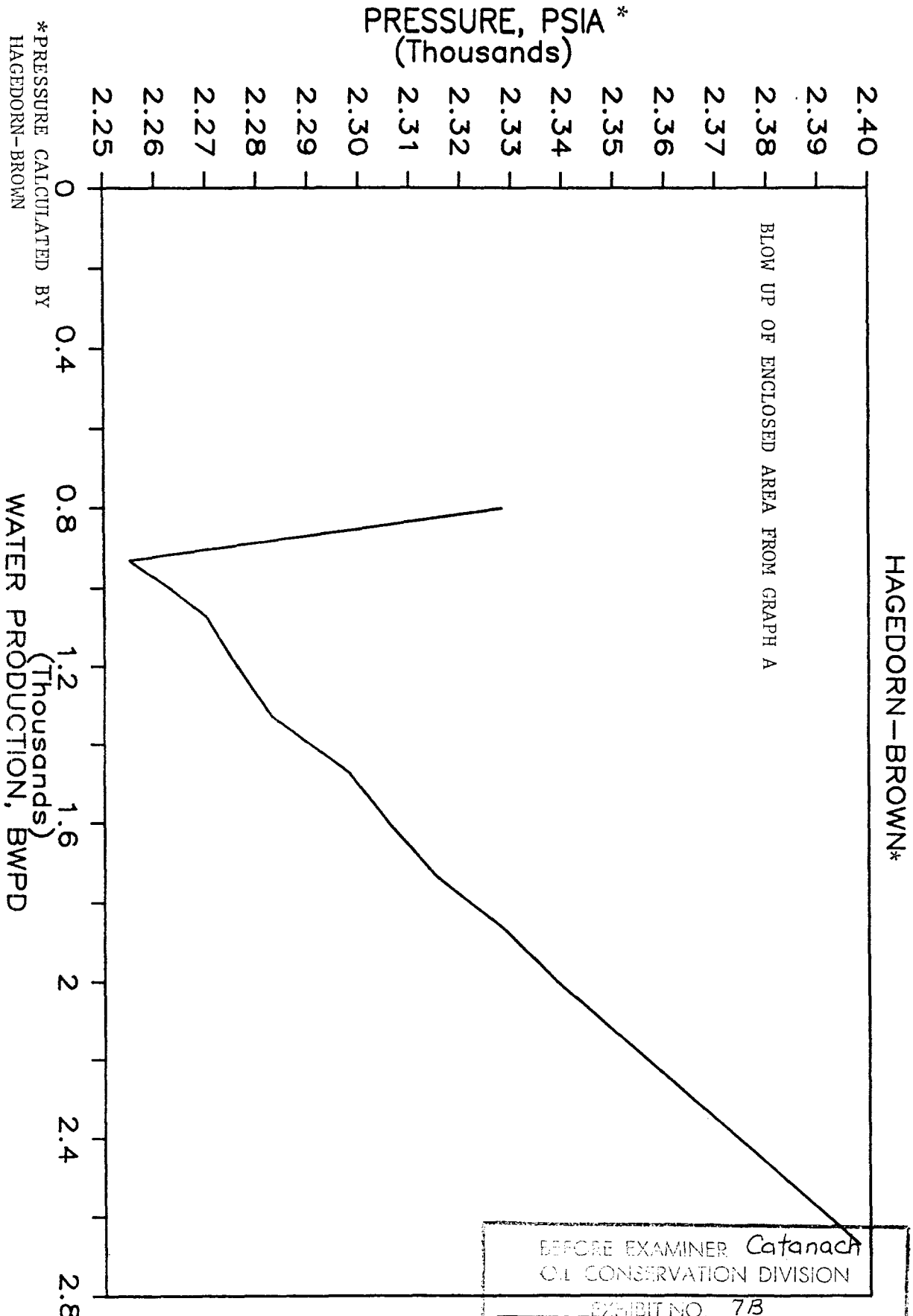


BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 7A
CASE NO. 9081
Submitted by Conoco Inc.
Hearing Date 2-18-87

EXHIBIT 7B

FEDERAL 34 #2 PRESSURE VS. BWPD

HAGEDORN-BROWN*



*PRESSURE CALCULATED BY HAGEDORN-BROWN

BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 7B
CASE NO. 9081
Submitted by Conoco Inc.
Hearing Date 2-18-87

FEDERAL 34 NO. 2
COMPUTER RESULTS

WELL FLOWING ANALYSIS
CONOCO PROGRAM #260

RECEIVE ------ REVIEW OF RATES & PROFILE ------ FILE = 34 2.
COMMAND ===> DATE = 2/18/87

TITLE ==> FEDERAL 34 #2 GLR = 150 GOR ==>
USER ==> REF DEP ==> 8030
REF TMP ==> 148
X AXIS TYPE ==> GAS For graphics SURF TMP ==> 60
Enter OIL,GAS,WATER,TFL TOP PRS ==> 40

RATES ARE FROM A GAS WELL IPR-2.2H PROF- INT-2.1H

OIL	GAS	WATER	SANDFACE	COMP DP	VERT DP	EROS. VEL
0	100	670			2410	15
0	200	1330			2283	30
0	300	2000			2339	46
0	400	2670			2398	61
0	500	3330			2456	76
0	600	4000			2519	91
0	700	4670			2583	106
0	800	5330			2648	121
0	900	6000			2721	137
0	1000	6670			2794	152

GRAPHICS = ENTER ; LAST PANEL = PF15 ; MAIN MENU = PF16 ; HELP = PF13

RECEIVE ---- REVIEW OF RATES & PROFILE ---- FILE = 34 2.
COMMAND ===> DATE = 2/18/87

TITLE FEDERAL 34 #2 GLR = 150 GOR
USER REF DEP ==> 8030
REF TMP ==> 148
X AXIS TYPE ==> GAS For graphics SURF TMP ==> 60
Enter OIL,GAS,WATER,TFL TOP PRS ==> 40

RATES ARE FROM A GAS WELL IPR- PROF- INT-2.1H

OIL	GAS	WATER	SANDFACE	COMP DP	VERT DP	EROS. VEL
0	120	800			2328	18
0	140	930			2255	21
0	150	1000			2263	23
0	160	1070			2270	24
0	180	1200			2276	27
0	200	1330			2283	30
0	220	1470			2298	33
0	240	1600			2306	36
0	260	1730			2315	39
0	280	1870			2329	43

GRAPHICS = ENTER ; LAST PANEL = PF15 ; MAIN MENU = PF16 ; HELP = PF13

BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 8
CASE NO. ~~8080~~ 9081
Submitted by Conoco Inc
Hearing Date 2-18-87

EXHIBIT 9

MONTHLY PRODUCTION REPORTS
GLR

F E D E R A L 3 4 N O. 2

DATE	DAYS PRODUCED	GAS, MCFPD	OIL, BOPD	WATER, BWPD	GLR, SCF/BBL
1-85	29	29,294	640	83,539	348
2-85	22	21,095	461	61,622	340
3-85	29	19,300	481	57,398	333
4-85	30	19,819	398	50,868	387
5-85	13	10,152	119	23,369	432
6-85	0	0	0	0	0
7-85	30	10,957	126	114,114	96
8-85	17	9,715	57	64,695	150
9-85	16	3,330	46	42,933	77
10-85	30	9,938	76	87,666	113
11-85	30	11,985	117	91,388	131
12-85	31	11,901	178	88,680	134
1-86	31	13,839	166	79,647	173
2-86	28	14,744	102	80,750	182
3-86	31	12,847	195	154,374	83
4-86	30	11,915	137	60,307	197
5-86	31	9,863	115	63,221	156
6-86	2	1,249	40	29,120	43
7-86	0	0	0	0	0
8-86	0	0	0	0	0
9-86	0	0	0	0	0
10-86	0	0	0	0	0
11-86	15	748	0	26,250	28
12-86	0	0	0	0	0

BEFORE EXAMINER Catanach
OIL CONSERVATION DIVISION
EXHIBIT NO. 9
CASE NO. 9081
Submitted by Conoco Inc.
Hearing Date 2-18-87